Nordea

Enhanced disclosures for Nordea's oil and gas portfolio

February 2025

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About this document

The purpose of this document is to provide an overview and demonstrate transparency and accountability with respect to the Nordea Group's lending activities to upstream oil and gas. It complements and should be read in conjunction with the Sustainability Statement in our Annual Report 2024, to be published in week 9, February 2025, which includes material on our environmental impacts, risks and opportunities. This publication has been prepared for information purposes only and is not part of the CSRD assurance engagement.

Enhanced disclosure of Nordea's lending exposure to the upstream oil & gas sector

This report outlines voluntary enhanced disclosures for Nordea's upstream oil and gas portfolio, aiming to bring additional transparency on exposures, targets and policy commitments. Nordea has significantly decreased its exposure to the oil and gas sector since 2019, now representing one of the lowest sector exposures in Nordea's lending portfolio. The remaining upstream portfolio consists of a few carefully selected customers primarily operating on the Norwegian Continental Shelf, reflecting that Norway will continue to play an important and prominent role to ensure energy security in Europe, especially amid considerable geopolitical upheaval.

Nordic bank with strong sustainability commitments

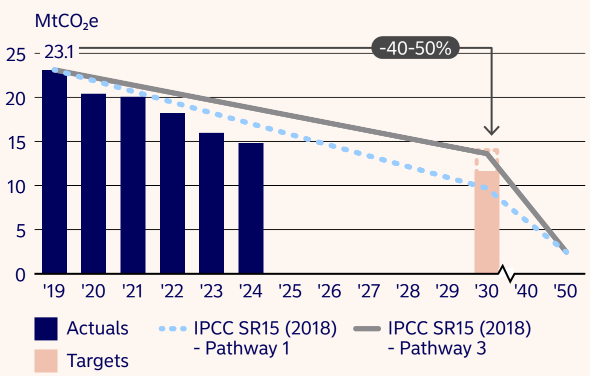
Nordea has committed to become a bank with net-zero emissions by 2050 at the latest. To support this goal, Nordea has set the objective to decarbonise its lending portfolio by 40-50% in 2030. Nordea was the first Nordic bank with a portfolio-wide interim target in line with pathways that limit global warming to 1.5°C according to IPCC. As of year-end 2024, Nordea had reduced the emissions from its lending portfolio by 36%, well on track to deliver on its 2030 objective. See graph below.

Sustainability is at the core of Nordea's business strategy and is integral to how we organise our operations, run the bank and manage our risks. In this way, Nordea seeks to align with and contribute towards fulfilling the United Nations (UN) Sustainable Development Goals, the Paris Agreement, and relevant national and regional frameworks. To read more about Nordea's sustainability work and targets, please visit the sustainability section on Nordea.com.

Global outlook for oil and gas

Oil and gas currently account for approximately half of the world's total energy supply, providing essential energy services for the proper functioning of today's society, while also being a significant contributor to global greenhouse gas (GHG) emissions. The global oil and gas markets are facing increasing uncertainties and challenges driven by geopolitical tensions and structural changes to consumption and supply patterns. There is a stark contrast between demand and supply curves for oil and gas in scenarios based on current policies and what is required in scenarios limiting the global temperature rise to 1.5°C. In its stated policy scenario, the International Energy Agency (IEA) estimates that both oil and gas demand increase slightly by 2030 relative to 2023, with significant regional divergence. Advanced economies generally see demand declines and emerging and developing economies are estimated to see growing demand. In Europe, oil demand is estimated to decline with 12% by 2030 and gas demand with 9% in the current policy scenario. The estimated demand declines in this scenario are not sufficient to meet the 1.5°C goal, which would require more transformative and significantly accelerated action from all parts of society with coordinated actions on both demand and supply side. In IEA's Net Zero 2050 Scenario, oil and gas demand see accelerated declines, driven by electrification and behavioural changes, but will still play a role in the global economy by 2050, although with significantly lower levels of production and

Nordea's portfolio-wide 2030 target for the lending portfolio



consumption. Continued investment in oil and gas supply is needed, while the overall decline in demand implies that no new long lead-time conventional oil and gas projects are required. In the Net Zero 2050 Scenario oil demand is estimated to fall by 29% by 2030 and by 2050, oil and gas production will need to have declined by 69% relative to 2019 levels and the majority of the demand will be for non-energy purposes.

For the European Union (EU), it has been estimated that achieving the 2030 target would imply a demand reduction for oil and gas of approximately 38% compared to 2015 through various policy instruments in different end-use sectors. As part of its Fit for 55 package, the EU has adopted new rules to rapidly expand renewable energy and improve energy efficiency and has adopted specific rules for how to decarbonise gas markets and promote hydrogen. While an explicit phase out of fossil gas is not in place, the rules now adopted aim to regulate the hydrogen market and decarbonise gas markets through a shift from fossil natural gas to renewable and low-carbon gases and boosting their uptake by 2030.

As part of the recommendations for a 2040 GHG emissions target, the European Commission estimated that fossil fuel imports could be reduced by 80% by 2040, emphasising a phase out of solid fossil fuels and that oil and gas usage "should decrease over time in a way that guarantees the EU's security of supply".[1]

Norway's significance for Europe's energy security

As the largest bank in the Nordics with extensive presence in all Nordic countries, Nordea's business and lending activities reflect, to varying extent, the economic activity and sectoral composition in each of its home markets. In Norway, oil and gas have been a vital part of the economic development, accounting for more than 60% of its total value of exported goods in 2023[2], and will continue to play a role in the transition to a low-carbon future while also contributing to energy security in Europe.

The EU has a high energy import dependency and has long been dependent on Russia to secure its energy demand. Before the invasion of Ukraine, Russia provided more than 40% of the total gas imports and around 30% of total oil imports in the EU[3]. Gas imports are especially critical to energy security given that over 30% of the households in the EU are heated using gas[3].

In the new geopolitical situation following Russia's invasion of Ukraine, the EU took drastic measures to secure its energy demand through new and strengthened partnerships, energy efficiency measures and joint purchasing of energy via the EU Energy Platform. The non-binding goal to eliminate gas imports from Russia by 2027 has led to a diversification in import partners. Norway has strengthened its position as the key provider of pipeline gas, providing almost half (47%) of the EU's imports of natural gas in gaseous form in 2024, equivalent to 30% of the total gas demand[4]. The share of Liquified Natural Gas (LNG) of total imported gas has doubled since before the invasion, with the United States becoming a more central LNG partner, providing around half of total EU imports of LNG in 2023[4].

The strengthening of existing, and establishment of new, energy partnerships between the EU and third party countries is needed, but also needs to consider potential adverse implications. Structural expansion risks and lock-in effects may arise over time in countries developing new fossil infrastructure and expanding production to meet an increased EU demand in the short term. Increasing LNG imports require consideration for new infrastructure within the EU and also potential environmental implications with shale gas production and long-distance transportation.

Norway is strategically important to the EU in these regards as it has strong capacity and infrastructure to meet the EU's increased demand without jeopardising its own energy demand, strong environmental production standards and relatively limited structural expansion risks. Norway's strategic importance to EU's REPowerEU and energy security strategy is also reflected in the strengthened energy partnership with the EU which was announced in 2022[5], highlighting;

- The high environmental production standards of Norwegian oil and gas production and the shared commitment to reach net-zero emissions by 2050 and work together to ensure a clean energy transition with reliable access to energy;
- Norway's capacity to continue to be a large supplier to Europe also beyond 2030 with an explicit support for continued exploration and investments on the Norwegian Continental Shelf (NCS) to bring oil and gas to the European market;
- Future potential for cooperation on offshore renewable energy and hydrogen, driven by ambitious EU objectives under the RePowerEU plan, and on carbon capture and storage (CCS).

Following the recent geopolitical events and the subsequent change in energy trade patterns, Norway will continue to play an important role as a reliable energy partner to the EU and contribute to its energy security and transformation of its energy supply to ensure affordable, secure and decarbonised energy. This needs to include a gradual increase in the supply of renewable and low-carbon energy products and include solutions for carbon capture and permanent storage of carbon.

Nordea's exposure and commitments

Nordea has significantly decreased its exposure to the oil and gas sector since 2019. By end of 2024, Nordea's lending to oil and gas companies in the exploration and production (E&P) segment was EURm 74. In relation to Nordea's total lending, the exposure is equivalent to 0.1 % which is among the lowest sector exposures of all business loans in Nordea's lending portfolio.

Any expansion of the portfolio beyond current business relationships will be subject to thorough assessments of the nature of the ESG related risks and impacts, also taking into consideration aspects of energy security and the evolving geopolitical context.

1. European Commission (COM/2024/63 final)
2. Norsk Petroleum
3. Eurostat
4. Eurostat and Breugel Datasets
5. European Commission

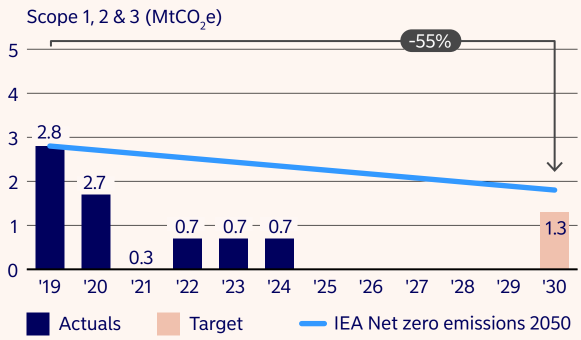
As stated in Nordea’s sector guideline for the fossil fuel-based industries Nordea does not provide or facilitate financing to projects dedicated to expanding exploration and production of conventional or unconventional oil and gas, including Arctic drilling.

Nordea’s oil and gas E&P portfolio consists of a few carefully selected customers, with operations primarily on the Norwegian Continental Shelf, reflecting the need to balance decarbonisation with EU’s need for energy security amid considerable geopolitical upheaval, while also considering the lowest possible emission intensity from production, see graph on page 4 "Countrywide average emissions intensity of the largest oil and gas producers, 2022."

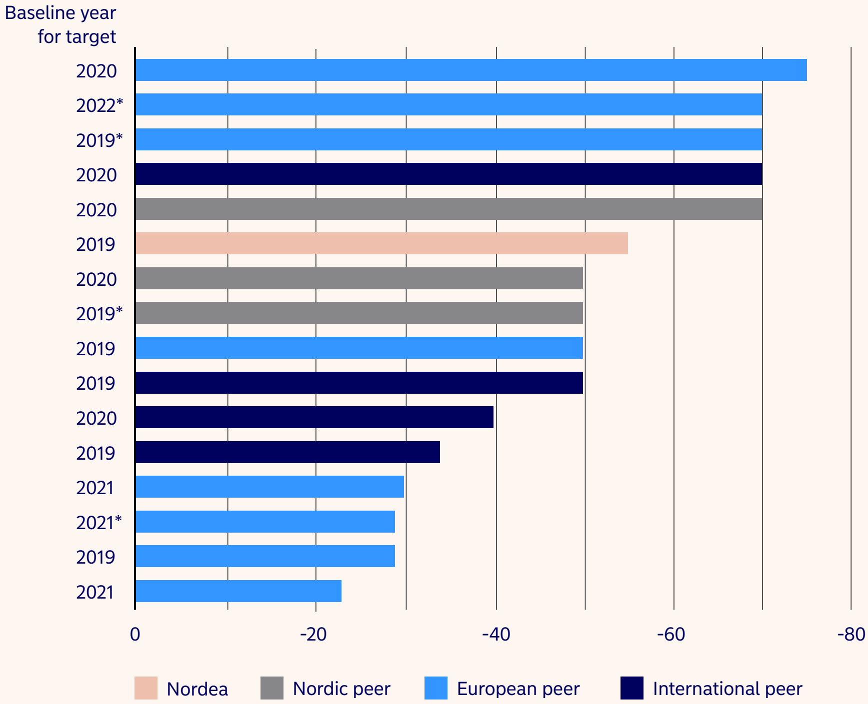
Nordea’s sector target for the upstream oil and gas sector is based on the IEA’s Net Zero 2050 Scenario and is a reduction in absolute financed emissions of 55% relative to a 2019 baseline, see graph. The target covers scopes 1, 2, and 3, as the scope 3 category "use of sold products" is the most material emissions category for E&P companies. Nordea´s target has a steeper decarbonisation trajectory by 2030 than what is necessitated by the IEA Net-Zero 2050 Scenario. See graphs below displaying Nordea's "Oil and gas exploration and production target" and how "Nordea's sector target compares to peers with similar target".

Through this sector target, Nordea strives for reducing the emissions associated with oil and gas financing.

Nordea's oil and gas exploration and production target



Nordea's sector target compared to peers with similar target



* Target also include mid and downstream oil and gas

Reducing demand for fossil fuels

Nordea expects all business relationships in scope of our sector guidelines to actively work to identify, assess and manage their ESG related impacts, risks and opportunities and to develop transition plans to support their progress.

Nordea continues to engage with customers across sectors to reduce demand for fossil fuels through energy efficiency measures and increased use of low-carbon fuels and energy sources. Since 2021, Nordea has set eight sector targets with science-based decarbonisation pathways. The sector targets cover a majority of Nordea's financed emissions and about two thirds of its lending exposure. The sectors not directly in scope of a specific sector target are covered by Nordea's portfolio wide emission reduction target for the lending portfolio.

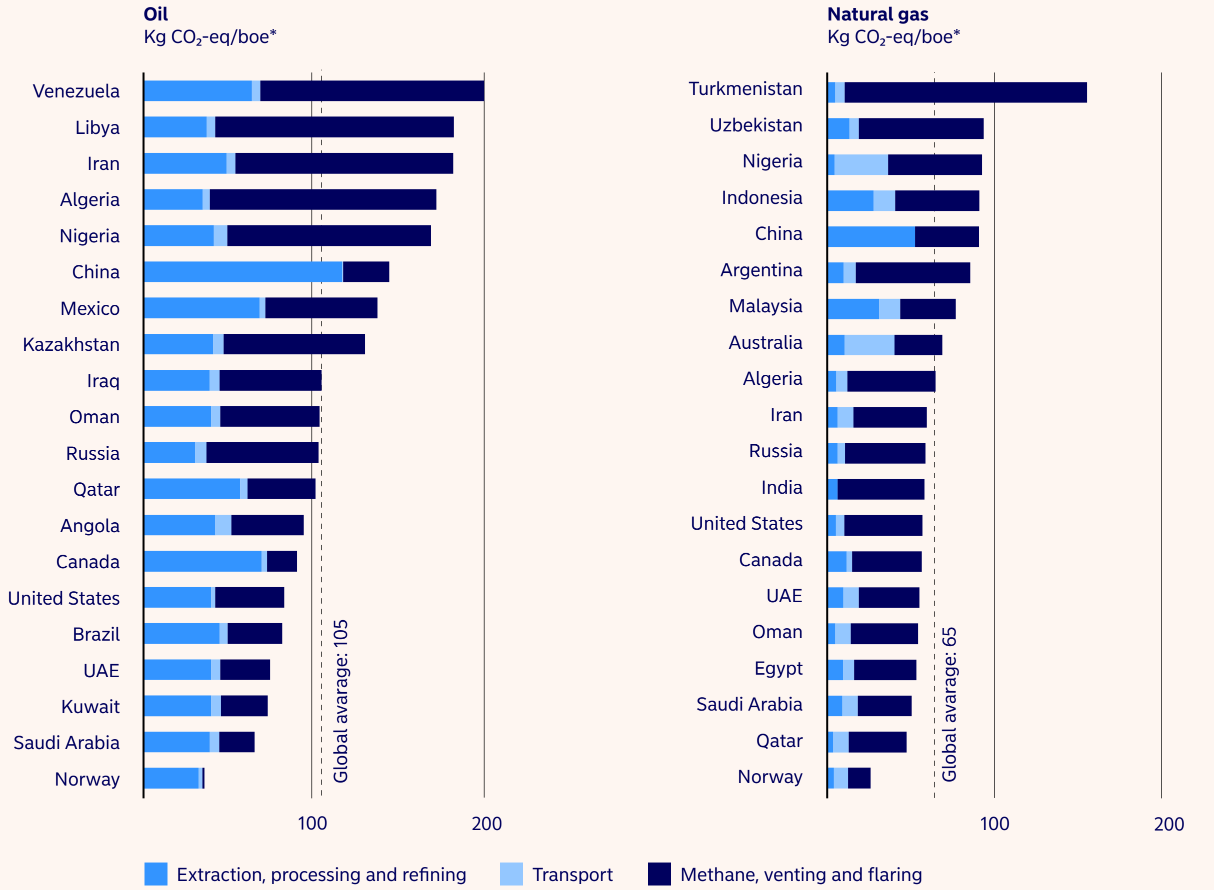
In addition to its decarbonisation targets, Nordea aims to actively increase its provision and facilitation of capital to activities that support the transition to a low-carbon economy. Nordea offers a range of solutions that cover the financing of sustainable activities and projects, not least in the energy domain, to support our customers in the transition. Additionally, Nordea has, together with the European Investment Fund, introduced a range of guaranteed loans under the InvestEU Programme for small and medium-sized enterprises to accelerate the transition to a green and sustainable economy. Nordea has set a target to facilitate more than EUR 200bn of sustainable financing by 2025. As of 2024 Nordea has facilitated EUR 185bn.

Extended disclosure to track development

Nordea's customers, and, hence, also Nordea, are dependent on a supportive policy environment, favourable regulation and innovation to accelerate the transition in the Nordics. Nordea is committed to deliver on its strategic long-term ambition and will do this by supporting our customers' transition journey in a balanced approach taking energy security and societal transition risks into consideration.

In the following section, Nordea demonstrates enhanced transparency to its stakeholders by providing extended disclosures for its oil and gas E&P portfolio. The selected indicators enable further insights and monitoring of the development of the portfolio over time.

Countrywide average emissions intensity of the largest oil and gas producers, 2022



*boe = barrels of oil equivalent

Notes: Emissions from transport depend on the mode and distance travelled and are larger for countries that export a larger share of their production as LNG. Reflects estimates for 2022, which may differ from levels for 2023 given the recent introduction of measures and policies by a number of countries and companies.

Source: IEA – World Energy Outlook Special Report, page 69.

Selected indicators

This section provides a detailed overview over selected indicators for Nordea's oil and gas E&P portfolio, utilising both internal data and externally available information published by our customers. Nordea has reduced its exposure to upstream oil and gas significantly over the past years to a 0,1% share of total on-balance lending exposure. Between 2019-2024, the on-balance sheet lending decreased 92% and total exposure, including undrawn credit facilities decreased 60%. For total drawn and undrawn exposure the weighted average CO2 intensity of our exploration and production portfolio has reduced 60% over the last five years and is now at 5.3 kgCO2/boe which is less than half of the global average CO2 intensity comparing to the world's foremost publicly traded, private, and state-owned oil and gas companies [that are IOGP members].

The table includes both *on-balance sheet lending and undrawn loan commitments*. Nordea's emission reduction targets and general reporting is based on the on-balance sheet lending as this reflects the actual exposure, impact of Nordea's operations and is the recommended approach by PCAF. Undrawn loan commitments are included in this disclosure for transparency in regard to Nordea's potential exposure and associated risk assessment.

Indicator	2024	2023	2019	Δ 24-19
On-balance sheet lending[1]				
On balance sheet lending (EURm)	74	75	884	-92%
- Share of total lending (%)	0.1%	0.1%	1.0%	n/a
Financed emissions, scope 1, 2 and 3[2] (tCO2e)	727,939	725,292	2,810,756	-74%
- Share of total on-balance sheet lending financed emissions, scope 1, 2 and 3 (%)	1.5%	1.3%	4.7%	n/a
Weighted average CO2 intensity of exploration and production[3] (kgCO2/boe)	8.7	8.6	15.5	-44%
Weighted average CO2 intensity alignment measured in distance to IEA NZE2050 in %[4]	-80%	-80%	No data	n/a
Financed production[5] (kboe/d)	163	212	2,952	-94%
Financed unconventional production[5] (kboe/d)	17	27	No data	n/a
Exposure to Arctic drilling[6] (Y/N)	N	N	Y	-100%
Undrawn loan commitments[7]				
Undrawn loan commitments (EURm)	556	613	705	-21%
Undrawn potential financed emissions, S1-S3 (tCO2e)[8]	No data	No data	No data	No data
Weighted average CO2 intensity of exploration and production[3] (kgCO2/boe)	4.9	5.6	11.5	-57%
Undrawn potential financed production[8] (kboe/d)	No data	No data	No data	No data
Undrawn potential financed unconventional production[8] (kboe/d)	No data	No data	No data	No data
Exposure to Arctic drilling[6] (Y/N)	N	N	Y	-100%
Drawn + Undrawn				
On balance sheet lending exposure + Undrawn loan commitments (EURm)	630	688	1,589	-60%
Weighted average CO2 intensity of exploration & production[3] (kgCO2/boe)	5.3	5.9	13.4	-60%
- Compared to global average IOGP member companies (%)[9]	No data	16.3	17.2	
Exposure to Arctic drilling[6] (Y/N)	N	N	Y	-100%
Share of Total exposure in the OGMP 2.0[10] (%)	80%	30%	N/A[4]	

1. Include all on-balance sheet loans and lines of credit to companies in accordance with the definition of Business Loans by Partnership for Carbon Accounting Financials (PCAF).
2. Includes scope 3 category 11 "Use of sold products".
3. Includes scope 1 and 2 emissions but do not include transport and processing emissions. 2024 data on intensity is gathered from company Q3 2024 reports.
4. Weighted average CO2 intensity of exploration and production in kgCO2/boe of Nordea's on-balance sheet lending portfolio compared to IEA Net Zero Emissions by 2050 Scenario. For further details see Template 3 on Alignment metrics in EU commission implementing regulation 2022/2453 on prudential disclosures on ESG risks (Article 449a CRR).
5. Calculated with the same attribution principle as for financed emissions according to PCAF, but using company production in thousands of barrels of oil equivalent per day (kboe/d) instead of company emissions in tCO2e.
6. Nordea defines Arctic drilling as drilling north of the southernmost extent of winter sea ice in the Arctic region.
7. Undrawn loan commitments are commitments given to a client as an option to access and draw a loan under predefined terms in future reporting periods.
8. Disclosure of these indicators will be made once the final methodological guidance from PCAF is published, expected in 2025.
9. IOGP - The International Association of Oil & Gas Producers includes the world's foremost publicly traded, private, and state-owned oil and gas companies.
10. Oil & Gas Methane Partnership 2.0 (OGMP 2.0) is the flagship oil and gas reporting and mitigation programme of the United Nations Environment Programme (UNEP) that was launched in November 2020 and didn't exist in 2019.

Data Quality

To ensure transparency of the data quality used to calculate financed emissions, Nordea uses the data quality score developed by the Partnership for Carbon Accounting Financials (PCAF). The score ranges from 1 to 5, where score 1 being the most accurate data (audited and reported customer data) and score 5 being estimated data with the lowest accuracy. Since 2019, Nordea has significantly improved the quality of the data used to calculate financed emissions for its upstream oil and gas portfolio. In 2024, financed emissions for the upstream oil and gas portfolio were based almost exclusively on reported company-specific data for scope 1, 2 and 3 emissions.

The methodology for estimating financed emissions is mainly based on the PCAF Standard, but also applies certain deviations and own methods to meet specific characteristics of Nordea's lending portfolio. Nordea is continually reviewing and updating the methodology, with the principles approved on an annual basis by the Asset & Liability Committee and controlled through the quarterly risk appetite monitoring carried out by the second line of defence. Nordea's financed emissions methodology is available here.

Company-specific data and PCAF data quality score table

	2024		2023		2019	
	Company-specific data (%)[1]	Overall data quality score (1-5)[2]	Company-specific data (%)[1]	Overall data quality score (1-5)[2]	Company-specific data (%)[1]	Overall data quality score (1-5)[2]
Oil & gas exploration and production	99%	1,1	100%	1,1	84%	2,1

1. Exposure weighted company-specific scope 1,2 & 3 data
2. Overall data quality score is based on counterparty scope 1, 2 and 3 emissions

Disclaimer

This document contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance. Although Nordea believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Results could differ materially from those set out in the forward-looking statements due to various factors. These include but are not limited to (i) macroeconomic developments, (ii) changes in the competitive environment, (iii) changes in the regulatory environment and other government actions, and (iv) changes in interest rate and foreign exchange rate levels. This document does not imply that Nordea has undertaken to revise these forward-looking statements beyond what is required by applicable law or stock exchange regulations if and when circumstances arise that lead to changes following their publication.

Nordea Bank Abp
Business ID 2858394-9
Hamnbanegatan 5
00020 Helsinki
Tel +358 200 70000
nordea.com